

# NORTHERN FUNDS

## INCOME EQUITY FUND (NOIEX)

As of 03/31/18

### FUND COMMENTARY

The S&P 500® Index started the year with a turbulent first quarter, resulting in the first quarterly loss since 2015. January started off as a continuation of 2017, with markets rising steadily to new highs and very low volatility. Equities quickly reversed course in February with a spike in volatility that drove the S&P 500® down over 10% from the January highs. Rising interest rates and fears over a potential trade war with China contributed to unease within the market as the President announced new tariffs on steel, aluminum and several other goods. Interest rate sensitive sectors such as utilities, real estate and telecommunication services lagged the broader market for the quarter. Technology stocks continued to outperform, despite falling late in the quarter on concerns over user data privacy.

The Income Equity Fund posted a total return of -2.59% in the first quarter, compared with -0.76% for the Fund's benchmark, the S&P 500® Index. We generally invest in high-quality, income-producing stocks, which we believe will generate above-market returns over time. The Fund's allocation to higher-dividend-yielding securities detracted from performance, as these stocks lagged the market. During the quarter, allocation to high-quality names had a negative effect on Fund performance. Stock selection within the industrials sector added to performance, while selection within the consumer discretionary sector detracted from performance.

Looking ahead, we will continue to focus on identifying high-quality, dividend-paying companies. As monetary policy becomes less accommodative, we believe the importance of company fundamentals will stand out and the strategy will likely benefit accordingly. We will maintain our exposure to companies that exhibit prudent use of shareholder capital, focusing on total return. We believe the Fund is well positioned to provide an elevated level of income, generated from a diversified basket of stocks that offer opportunities to outperform over the long term.

**Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a summary prospectus or prospectus, which contains this and other information about the funds.**

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| Performance as of 03/31/18 |        |        |        | Annualized Returns |        |         |                 | Gross Expense Ratio | Net Expense Ratio |
|----------------------------|--------|--------|--------|--------------------|--------|---------|-----------------|---------------------|-------------------|
| FUND                       | QTR    | YTD    | 1 Year | 3 Year             | 5 Year | 10 Year | Since Inception |                     |                   |
| Income Equity Fund         | -2.59% | -2.59% | 12.08% | 8.75%              | 10.05% | 8.69%   | 8.79%           | 1.11%               | 1.01%             |
| S&P 500 Index              | -0.76% | -0.76% | 13.99% | 10.78%             | 13.31% | 9.49%   | 9.81%           |                     |                   |

**Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. Performance data current to the most recent month end is available by calling 800-595-9111.**

The Gross and Net Expense Ratios are as of the most recent prospectus. The Net Expense Ratio includes contractual expense reimbursements that, if not extended, will end on July 31, 2018.

Not FDIC insured | May lose value | No bank guarantee

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

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